MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

DAU 5014 – AUDITING 1

(All sections / Groups)

22 OCTOBER 2019
2.30 p.m. – 5.30 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 8 pages with 4 Questions only.
2. Answer **ALL** questions.
3. Please write your answers in the Answer Booklet provided.

QUESTION 1

PART A

- Financial Statement Audit
- Compliance Audit
- Operational Audit
- Forensic Audit

Figure 1

Figure 1 list four types of audit that can be conducted by an auditor in business environment.

Required:

Explain each of the type of audits stated in **Figure 1**.

(8 marks)

PART B

A Chartered Accountant firm may provide various types of assurance services and non-assurance services.

Required:

(a) What is the objective of assurance service? (2 marks)

(b) Provide any **TWO (2)** examples of non-assurance services that can be offered by Chartered Accountant firm. (4 marks)

Continued...

PART C

- Malaysian Accounting Standard Board (MASB)
- Malaysian Institute of Accountants (MIA)

Required:

State **ONE (1)** important role played by each of the organisation above towards accounting and auditing environment in Malaysia.

(4 marks)

PART D

(a) Every auditor of a company shall report to the members on the financial statements and on the company's accounting and other records relating to those financial statements.

Required:

State the method auditor may use to report the financial statements to the members of company in the case of:

(i) Private company

(ii) Public company

(3 marks)

(b) Gab & Co., is the approved company auditor for Western Line Berhad, a public listed company located at Seremban, Negeri Sembilan since 2016. Due to several conflicts with the management, the audit firm plans to resign from being the auditor for Western Line Berhad.

Required:

Explain the procedures of auditor's resignation based on Companies Act 2016.

(4 marks)

(Total: 25 marks)

Continued...

QUESTION 2

PART A

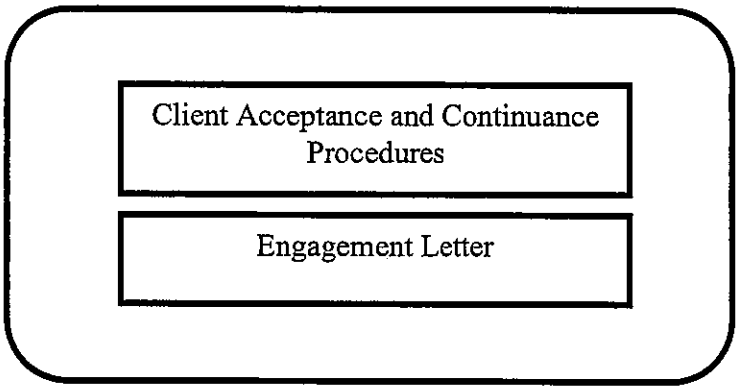

Figure 2

Figure 2 shows two important matters to be considered in preliminary engagement activities.

Required:

(a) Explain the purpose of:

i. Client Acceptance and Continuance Procedure
ii. Engagement Letter

(4 marks)

(b) State **THREE (3)** items to be considered by an auditor for Client Acceptance and Continuance procedure.

(6 marks)

(c) Identify and explain any **TWO (2)** contents that should be included in the engagement letter.

(6 marks)

Continued...

PART B

- Modified Unqualified Audit Report
- Adverse Audit Report

Figure 3

Audit report play important role in an audit engagement. **Figure 3** shows two examples of audit report.

Required:

(a) What is the purpose of audit report in audit engagement? (1 mark)

(b) Identify and explain any **TWO (2)** situations that enable an auditor to issue Modified Unqualified Audit Report. (6 marks)

(c) When an auditor may issue Adverse Audit Report? (2 marks)

(Total: 25 marks)

Continued...

QUESTION 3

PART A

Auditors and management have significant role related to the company's internal control. **Figure 4** below shows the five integral components of internal control.

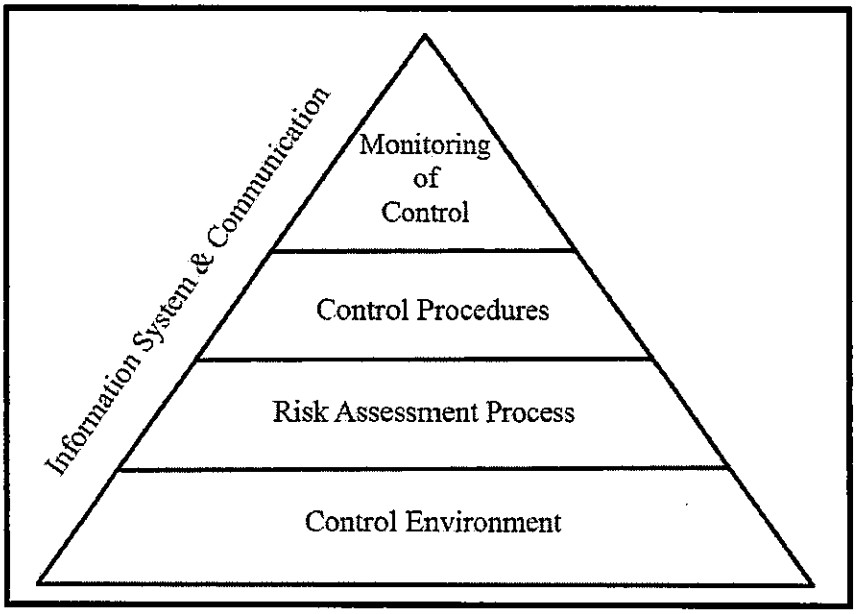

Figure 4

Required:

(a) State the responsibility of the following parties related to the internal control.

(i) Management of company

(ii) Auditors of company

(4 marks)

(b) Explain the following components of internal control.

(i) Control Environment

(ii) Monitoring of control

(4 marks)

Continued...

(c) Identify the type of internal control procedures applied in the situations below:

No	Description
i.	Best Buy Sdn. Bhd. assigned different employee to prepare sales order, to approve credit limit, to deliver the goods, to prepare sales invoice and to collect cash payment from customers.
ii.	An independent staff examines the pre-numbered payment voucher for approval, compares them with receiving reports, verifies the price in the supplier invoice and examine the posting to accounting records.
iii.	Sunny Store Berhad installed computer facilities with passkey access for their new warehouse.

(6 marks)

(Note: Use the table format below to write your answers)

No	Type of Internal Control Procedure
i.	
ii.	
iii.	

PART B

You are the senior auditor in-charge for financial statements audit of PKC Berhad, an audit client located at Muar, Johor. You have been asked by your audit partner to educate the accounting department of the company about the limitations of the internal control.

Required:

Briefly explain any **TWO (2)** limitations of the internal control that you know.

(4 marks)

Continued...

PART C

> Audit evidence is necessary information that an auditor collects in order to form a credible opinion on the assertions by the client's management. An audit evidence should be sufficient, reliable and relevance to the audit objective tested in the course of audit.

Required:

(a) Explain what is meant by reliability of audit evidence. (2 marks)

(b) List out **FOUR (4)** factors that affects the reliability of audit evidence. (4 marks)

(c) Provide **ONE (1)** example of audit evidence that you think is reliable to be used by auditor to form an opinion regarding client's financial statement.

(1 mark)

(Total: 25 marks)

QUESTION 4

PART A

You are in the midst of auditing the financial statements of Basic Apparel Berhad for the year ended 31 December 2018. You have performed numerous assessment of the client's business, client's account balances and client's transactions to determine the client's audit risk and materiality level. **Figure 5** below shows the formula of audit risk:

> Audit Risk = Inherent Risk x Control Risk x Detection Risk

Figure 5

Required:

(a) Explain each of the component in the **Figure 5**:

i. Audit Risk
ii. Inherent Risk
iii. Control Risk
iv. Detection Risk

(8 marks)

(b) What is the relationship between Materiality and Audit Risk? (1 mark)

Continued...

PART B

- External Auditors
- Internal Auditors
- Government Auditors

Figure 6

Figure 6 above shows three types of auditor which play significant roles in business environment.

Required:

(a) Describe each type of auditor in **Figure 6.** (6 marks)

(b) State the differences between External Auditors and Internal Auditors in the following areas:

(i) Independence level

(ii) Objective of audit

(iii) Detection of fraud

(Note: Use the table format below to write your answers)

Areas	External Auditors	Internal Auditors
(i) Independence level		
(ii) Objective of audit		
(iii) Detection of fraud		

(6 marks)

(c) List **FOUR (4)** criteria that need to be examined by external auditor in assessing the work of internal auditor.

(4 marks)

(Total: 25 marks)

End of Paper